

Message Text

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TO AMEMBASSY NEW DELHI

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E.O. 11652:N/A

TAGS: ETRD, IN

SUBJECT:BILATERAL TEXTILE AGREEMENT.

1. EMBASSY OF INDIA TODAY DELIVERED TO DEPARTMENT
COPY OF FOLLOWING LETTER FROM P. K. KAUL TO U.S.
CHIEF TEXTILE NEGOTIATOR MICHAEL SMITH DETAILING THE
INDIAN PROPOSALS PUT FORTH DURING LAST MONTH'S
DISCUSSIONS IN NEW DELHI.

2. TEXT OF LETTER:

"DEAR MR. SMITH,

I AM GRATEFUL TO YOU AND TO THE OTHER MEMBERS OF YOUR
DELEGATION FOR HAVING ACCEPTED OUR INVITATION TO VISIT
NEW DELHI FOR DISCUSSIONS TO REVIEW THE INDO-U.S. BILATERAL
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AGREEMENT ON TEXTILES AND THE ADMINISTRATIVE ARRANGEMENTS

ESTABLISHED THEREUNDER. THIS PROVIDED US WITH AN OPPORTUNITY OF DISCUSSING THE DIFFICULTIES THAT WE ARE AT PRESENT FACING IN THE IMPLEMENTATION OF THIS AGREEMENT AND TO PRESENT THESE PROBLEMS TO YOU IN A CONSTRUCTIVE AND LOGICAL MANNER. THE INDIAN DELEGATION WAS HAPPY TO NOTE THE POSITIVE APPROACH OF THE U.S. DELEGATION TO THESE MATTERS.

DURING THE DISCUSSIONS, THE INDIAN DELEGATION GAVE A DETAILED EXPOSITION AS TO HOW THE AGREEMENT AND THE MANNER OF ITS ADMINISTRATION WAS ADVERSELY AFFECTING INDIAN TRADE, AND THAT THE GOVERNMENT OF INDIA CONSIDER SOME OF ITS PROVISIONS CONTRARY TO THE SPIRIT AND LETTER OF THE MULTI-FIBRE ARRANGEMENT. AT THE CONCLUSION OF THE TALKS YOU WERE PLEASED TO OBSERVE THAT YOUR DELEGATION IS NOT IN A POSITION TO MAKE ANY COMMITMENTS AT THIS STAGE AND THAT YOU WILL, ON RETURN TO YOUR COUNTRY, INITIATE PROPER CONSULTATIONS AMONGST YOUR COLLEAGUES AND WOULD GIVE DUE CONSIDERATION TO THE POINTS RAISED BY THE INDIAN DELEGATION AND THE SUGGESTIONS PLACED BY IT BEFORE THE U.S. DELEGATION. WITH A VIEW TO ASSISTING YOU IN THIS WORK, I FELT IT WOULD BE APPROPRIATE TO WRITE TO YOU AND TO SPECIFY OUR PROPOSALS.

IT WOULD BE RECALLED THAT ARISING OUT OF CERTAIN QUESTIONS POSED BY THE U.S. DEPARTMENT OF CUSTOMS ABOUT HANDLOOM GARMENTS COVERED BY THE EXEMPT CERTIFICATES GRANTED BY THE INDIAN AUTHORITIES AND SIMULTANEOUS DEBITING OF SUCH HANDLOOM GARMENTS TO THE QUOTAS OF GROUP II UNDER THE BILATERAL AGREEMENT, CONSULTATIONS WERE SOUGHT BY THE U.S. AUTHORITIES ON 4TH NOVEMBER 1975 "TO DISCUSS OVERSHIPMENTS AND UNDUE CONCENTRATION IN GROUP II" AND OTHER RELATED MATTERS. THESE CONSULTATIONS WERE HELD IN THE SECOND AND THIRD WEEK OF DECEMBER 1975 DURING WHICH QUESTIONS WERE ALSO RAISED ABOUT THE INTERPRETATION OF ARTICLE 12(3) OF THE MULTI-FIBRE ARRANGEMENT. THE INDIAN DELEGATION AT THAT TIME EXPLAINED AT GREAT LENGTH THEIR UNDERSTANDING OF THE RATIONALE BEHIND THE INTRODUCTION LIMITED OFFICIAL USE

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OF THIS ARTICLE AND THE INTERPRETATION THEREOF ON THE BASIS OF WHICH THE INDIAN AUTHORITIES WERE ISSUING REQUISITE CERTIFICATES. HOWEVER, NO AGREEMENT BETWEEN THE TWO DELEGATIONS COULD BE REACHED AT THAT TIME ON THE INTERPRETATION OF ARTICLE 12(3). NONETHELESS, BECAUSE TRADE FLOWS HAD AT THAT TIME BEEN UNILATERALLY DISRUPTED, CAUSING DAMAGE TO THE INDIAN EXPORTERS, AN UNDERSTANDING WAS REACHED ON THE 24TH OF DECEMBER 1975

TO MEET THE PRACTICAL AND EMERGENT PROBLEMS. THIS LED TO AN AMENDMENT OF THE BASIC BILATERAL AGREEMENT AND THROUGH WHICH IT SOUGHT TO CREATE A THIRD GROUP QUOTA FOR ALL HANDLOOM GARMENTS WIT; A SIMULTANEOUS REDUCTION IN THE QUOTAS OF BOTH GROUPS I AND II.

IN APRIL 1976 CERTAIN OTHER CONSIGNMENTS COVERED BY THE BILATERAL AGREEMENT WERE AGAIN HELD UP BY THE U.S. CUSTOMS AUTHORITIES. AFTER REPRESENTATIONS HAVING BEEN MADE BY US AT THE APPROPRIATE LEVELS OF THE U.S. ADMINISTRATION, THESE CONSIGNMENTS WERE VERY KINDLY ALLOWED CLEARANCE. AS WAS INDICATED BY US DURING DISCUSSIONS, SUCH INTERRUPTIONS IN FREE FLOW OF TRADE CREATES UNCERTAINTIES IN THE MIND OF THE BUYER AND SHAKES HIS CONFIDENCE IN PLACING ORDERS ON INDIA BECAUSE OF THE DOUBTS IN RECEIVING SUPPLIES IN TIME TO ENABLE HIM TO SERVE HIS CUSTOMERS. THE INADEQUACY OF THE CURRENT LEVEL OF QUOTAS OF GROUP I AND GROUP II WERE ALSO EXPLAINED TO YOU. MENTION WAS ALSO MADE ABOUT THE VOLUME OF READY STOCKS IN HAND WITH THE INDIAN EXPORTERS AS ALSO THE EXHAUSTION OF THESE QUOTAS QUITE EARLY IN THE TEXTILE YEAR.

ARISING FROM THE MATTERS REFERRED TO ABOVE, THE INDIAN DELEGATION MADE THE FOLLOWING PROPOSALS DURING THIS ROUND OF DISCUSSIONS:-

(1) A PROCEDURE SHOULD BE EVOLVED FOR MUTUAL CONSULTATIONS BEFORE ANY UNILATERAL ACTION IS TAKEN BY ANY SIDE WHICH LEADS TO DISRUPTION OF TRADE FLOWS. THE EVOLUTION OF AN EARLY WARNING SYSTEM SHOULD BE CONSIDERED SO THAT CONSULTATIONS CAN TAKE PLACE WELL IN TIME BEFORE THE FLOW OF DULY CERTIFIED CONSIGNMENTS IS LIMITED OFFICIAL USE

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HELD UP ON ANY ACCOUNT.

(2) THE THIRD CATEGORY CREATED AS A RESULT OF DECEMBER 1975 DISCUSSIONS SHOULD BE COMPLETELY DISMANTLED AS IT IS CONTRARY TO THE SPIRIT AND LETTER OF THE MULTI-FIBRE ARRANGEMENT. THE INTERPRETATION BEING GIVEN TO ARTICLE 12(3) OF THE MFA AND THE ADMINISTRATIVE ARGUMENTS RAISED SEEM TO GIVE AN IMPRESSION THAT TRADE AND QUANTITY RESTRICTIONS ARE INTENDED TO BE IMPOSED EVEN ON THIS CATEGORY OF GOODS IN COMPLETE DISREGARD TO THE PROVISIONS OF ARTICLE 12(3) OF THE MFA.

(3) THE QUOTA LEVELS OF GROUP I AND GROUP II SHOULD REMAIN AT LEVELS ENVISAGED EARLIER BECAUSE THESE LEVELS HAD EARLIER BEEN CONSIDERED BY THE U.S. GOVERNMENT

AND ACCEPTED AS LEVELS WHICH WOULD NOT CAUSE ANY MARKET DISRUPTION AT ALL. REDUCING THESE QUOTA LEVELS, THEREFORE, SERIOUSLY AFFECTS THE COMMERCIAL INTERESTS OF INDIAN TRADE THAT IS ENGAGED IN THE EXPORT OF PRODUCTS COVERED BY THESE CATEGORIES. IN ADDITION TO THIS, THE

INDIAN DELEGATION URGED FOR FAVOURABLE CONSIDERATION OF THE REQUEST FOR AN ADDITIONAL QUOTA OF 40 MILLION SQ. YDS. IN GROUP I AND 15 MILLION SQ. YDS. IN GROUP II, A PROPOSAL REGARDING WHICH WAS PRESENTED EARLIER TO THE U.S. GOVERNMENT. THESE PROPOSALS WERE FRAMED TAKING INTO ACCOUNT THE DEMAND FOR INDIAN PRODUCTS, CERTAIN EARLIER ACCEPTED BASIC QUOTAS AND RATES OF GROWTH ALLOWED TO OTHER COUNTRIES, ACCOMMODATION GIVEN TO SOME OF THE COUNTRIES WHO ARE NON-SIGNATORIES TO THE MFA, ABSENCE OF ANY DATA ABOUT MARKET DISRUPTION AND OTHER FACTORS WHICH WERE EXPLAINED IN DETAIL IN THE COURSE OF OUR DISCUSSIONS.

(4) IN ACCORDANCE WITH THE PRACTICE FOLLOWED IN CASE OF SOME OTHER COUNTRIES AND FOR ADMINISTRATIVE SIMPLIFICATION SMALL VALUE CONSIGNMENTS OF LESS THAN US 250 DOLLARS EACH SHOULD NOT BE DEBITABLE TO THE QUOTAS.

YOU HAVE KINDLY MENTIONED DURING THE DISCUSSIONS THAT LIMITED OFFICIAL USE

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THE U.S. DELEGATION WOULD GIVE DUE CONSIDERATION TO OUR PROPOSALS AND AS EARLY AS POSSIBLE CONVEY THEIR RESPONSE IN THESE MATTERS. WE AWAIT RECEIPT OF FURTHER INFORMATION FROM YOU IN THIS REGARD.

ASSURING OF OUR HIGHEST CONSIDERATION,

YOURS SINCERELY,
(P.K.KAUL)
LEADER OF THE INDIAN DELEGATION." KISSINGER

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